Select BCI Worldwide Flexible Fund
Quarter 2 2024

BLUEALPHA INVESTMENT MANAGEMENT

Performance Period	Fund Return (ZAR)	MSCI World (ZAR)
1 Year	**10.5%**	17.2%
3 Years (annualised)	**11.5%**	16.4%
5 Years (annualised)	**14.2%**	18.2%

Inception date: March 2017, Returns are gross of fees

Asset allocation	
Cash	13%
Equity	87%
Basic Materials	9%
Consumer Discretionary	26%
Consumer Staples	3%
Financials	10%
Health Care	9%
Industrials	8%
Technology	25%
Other options	-3%

Top 5 Holdings
SPDR Gold Shares
CROCS
Microsoft
Broadcom
Servicenow

Equity Holdings by Geography	
USA	89%
Europe	2%
Asia	9%

Portfolio Manager: Richard Pitt / Walter Jacobs
Commentary for the Quarter ended June 2024

Performance

After a brief 5% decline in April, risk assets rallied and global equities ended the quarter and year to date +2,6% and +11,75% respectively. With the bulk of the returns coming in Q1, there has also been a noticeable concentration in the drivers of return in Q2. After a strong first quarter, the fund broadly moved sideways in US$ but declined in Rand terms following local currency appreciation over the quarter. Year to date the fund is up 4,7%. Long-term performance against the benchmark and the category average remains strong. Over the last 5 years the fund has compounded at an annualized rate of 12% - ahead of its benchmark and the category average. Other than the few areas of the market being driven by the AI theme, there are many examples of companies being sold down aggressively (20% +) on just the hint of slower growth.

We have a few cases where we have started building new positions in high-quality companies that have already declined a lot only to suffer further losses on such news. Uncomfortable as this is – we believe it will likely build a basis for stronger investment returns over the medium term. We remain focused on our quality or “value creation” approach - the ultimate driver of investment returns. We keep looking for the addition of yield into the fund. US 10-year treasuries, having reversed from a 5% spike in yield, are still broadly at multi-year highs and are looking interesting given an increasing likelihood of lower rates and a slowdown in growth.

Global Macro

Positive economic momentum continued into the second half resulting in a good quarter for equity markets and risk assets in general. For a moment “good news became bad news” as strong economic data in April was poorly received, and markets sold off. While global inflation is moderating downwards, continued economic growth has resulted in persistent inflation in areas such as services, which remain above central bank targets for rate cuts. The interest rate outlook has changed dramatically since the beginning of the year when members of the Federal Reserve anticipated 3 cuts and market expectations were for six or seven cuts. With the last rate hike in July 2023, the Feds Fund rate has remained at 5,5% for almost 12 months. Fed projections are now for 1 cut this year with the markets still looking for 2 cuts. Given that markets have done very well regardless of the anticipated interest rate environment, highlights the extremely limited value of making macro forecasts and then implementing such views into portfolio positioning. An extended high-interest environment resulted in poor returns for small-cap stocks over the quarter (- 2,6%).

Developed markets delivered 2,8% return with the best returns coming from larger companies. The AI theme continued, and strong earnings form US tech stocks resulted in Growth being the best performing equity style (+6,4%) while Value declined (-1%). Global bonds were broadly negative – both for the quarter and year to date. While high rates should impact the US consumer, a full one third have no debt at all. As for higher mortgage rates above 7%, the average rate is only 3,8% - and almost half of all homes have no mortgage at all. Over the last quarter the change in the S&P500 is entirely driven by Nvidia, 11 other chip companies and the Fabulous Five – the rest are down roughly 2% over the quarter. This may speak to Index risk and concentration – but also to great potential opportunities at a company specific level.

Portfolio

The top contributors in the quarter included Broadcom (+21%), KLA Corp (+18%) and Tencent (+22%). The first two are beneficiaries from the big trends of AI. After being discarded by many into the uninvestable bucket, Tencent is recovering with improving operating momentum and fading regulatory headwinds. The biggest losers last quarter were Ulta Beauty (-26%), Accenture (-12%) and Starbucks (-14%). We continue to focus our efforts and attention to finding high quality growth compounders to invest in. We will also manage portfolio risk by purchasing downside protection when the cost is low. We maintain a reasonable direct gold exposure.